

Office of the City Auditor

Performance Audit of the Mission Bay and San Diego Regional Parks Improvement Funds for Fiscal Year 2018

Presentation to the Park and Recreation Board/Park and Recreation
Regional Park Improvement Fund Oversight Committee
July 18, 2019



Background

- In 2002, a City Council ordinance established two special funds:
 - Mission Bay Improvement Fund
 - Regional Park Improvement Fund
- These funds received revenue from the Mission Bay leases in excess of \$20 million
- Proposition C passed in 2008, bringing new City Charter requirements.
- Measure J passed in 2016, amending Charter Section 55.2 requirements.

Audit Objectives

- The City Charter requires an annual audit. Each audit report must contain:
 - a complete accounting of all revenues received,
 - the amount and nature of all expenditures, and
 - whether expenditures were consistent and compliant with City Charter requirements.
- Audit objectives include verification that the Fiscal Year 2018:
 - collection,
 - allocation, and
 - use of Mission Bay Park lease revenues are in compliance with City Charter requirements.



FY 2018 Mission Bay Park Lease Revenue

The adjusted Mission Bay lease revenue totaled \$32,636,552.

Fund Name	Allocation Breakdown in excess of the threshold	FY 2018 Allocation Amounts
San Diego Regional Parks Improvement Fund	35% or \$3.5 million, whichever is greater, in excess of the \$20 million threshold	\$4,422,793
Mission Bay Park Improvement Fund	65% of the excess over the \$20 million threshold, if less than the 65% then, the remainder after the San Diego Regional Parks allocation	\$8,213,759

FY 2018 Financial Activity

	Mission Bay Improvement Fund	Regional Parks Improvement Fund
Charter 55.2 revenues exceeding expenditures as of June 30, 2017	\$ 35,817,495	\$ 15,411,372
Revenue, excluding unrealized gains and losses	\$ 8,654,483	\$ 4,604,146
Expenses, net of depreciation	\$ <6,266,591>	\$ <2,756,468>
Revenue exceeding expenditures as of June 30, 2018	\$ 38,205,387	\$ 17,259,050

Other Pertinent Information: Mission Bay Park Committee Members with Terms exceeding 8 consecutive years

Based on information available during audit:

	Appointment Date	Last Meeting Attended	Duration
Committee Member A	12/17/2009	3/5/2019	9.2 Years
Committee Member B	12/17/2009	3/5/2019	9.2 Years

- The Municipal Code states the maximum term for this committee is 8-years.
- The City Attorney's Office advised that the Municipal Code and State Law allow for Advisory Board members whose terms have expired to continue serving until a replacement is appointed.
- However, we wanted to bring this issue to the attention of the Office of the Board and Commission since Municipal Code Section 26.30 (C)(4) specifically states members shall serve a maximum of eight consecutive years and an interval of four years must pass before being reappointed.

Other Pertinent Information: Agreement Holdovers

- During the audit, we noted that there were 127 (24%) Citywide holdover agreements out of the City's 520 active agreements. There are eight holdovers within the Mission Bay area and subject to this audit. We decided not to address the issue within this report. Instead we decided to add the agreement holdover process to our FY 2020 workplan and conduct an audit that will allow us to address all the 127 Citywide holdover agreements.

Conclusion

- Mission Bay Rents was accounted for and appropriately allocated to the respective Improvement Funds.
- We found that the FY 2018 Mission Bay Improvement Fund post charter expenditures of \$6,266,591, and Regional Parks Improvement Fund post charter expenditures of \$2,756,468 were allowable, appropriate and complied with Charter requirements
- Prior recommendation to have the City Treasurer routinely audit De Anza RV Park management company has been implemented. The first audit was completed in December 2018.
- We found 2 Mission Bay Park Committee members have exceeded the maximum term limits pursuant to the Municipal Code.
- We found 8 holdover agreements within the Mission Bay, and this issue will be addressed by a future audit of Citywide holdovers.



**We request that the Park and Recreation Board/Park and Recreation
Regional Park Improvement Fund Oversight Committee
accept the audit report.**